

Message Text

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ACTION SS-30

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FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC IMMEDIATE 231

C O N F I D E N T I A L GEORGETOWN 1554

EXDIS

E.O. 11652: GDS

TAGS: EINV, EMIN, GY

SUBJECT: REYNOLDS NEGOTIATION

REF: GEORGETOWN 1549

1. LOCAL MANAGER OF REYNOLDS (WAGNER) MET WITH MIMINES JACK AT 1030 AUG 29. WAGNER INFORMED ME THISAFTERNOON THAT JACK ANNOUNCED GOG INTENTION TO NEGOTIATE COMPENSATION FOR NATIONALIZATION OF REYNOLDS TO BE EFFECTIVE NOT LATER THAN DEC 31, 1974. JACK SAID GOG WILL ADOPT AS BASIS FOR COMPENSATION "WRITTEN-DOWN BOOK VALUE" OF REYNOLDS (GUYANA) AND AS BASIS FOR TERMS OF PAYMENT "THOSE APPLICABLE TO ALCAN SETTLEMENT." JACK ALSO STATED GOG WOULD PROCEED WITH TAX LEGISLATION, BUT WITHOUT OFFERING ANY SPECIFICS. JACK DID SAY GOG WISHED FURTHER CLARIFICATION REGARDING REYNOLDS SALES OF CHEMICAL GRADE BAUXITE, ESPECIALLY DOCUMENTATIONSUPPORTING REYNOLDS ALLEGATION THAT CHEMICAL SALES EXPANDED AT INSTANCE OF GOG. JACK CONCLUDED BY ASKING THAT REYNOLDS NEGOTIATORS ARRIVE BY SEPT 2, IF AT ALL POSSIBLE, SINCE PM BURNHAM DESIRED COMPLETE NEGOTIATIONS SPEEDILY.

2. WAGNER SAID HE HAS ALREADY CONVEYED FOREGOING TO RICHMOND. HE ADDED THAT ATMOSPHERE OF MEETING WAS FRIENDLY AND THAT HE REFRAINED FROM COMMENT ON JACK'S PRESENTATION EXCEPT TO REMARK THAT PRESENT INTERNATIONAL FINANCIAL SITUATION RADICALLY DIFFERENT FROM 1971 WHEN ALCAN PAYMENT TERMS WERE ESTABLISHED. HE ALSO
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EXPRESSED DOUBT THAT TEAM COULD BE ASSEMBLED IN GEORGETOWN BY

SEPT 2, BECAUSE NUMBER OF REYNOLDS EXECUTIVES, INCLUDING RICHARD REYNOLDS AND ROBERTS, ON VACATION AND LONG LABOR DAY WEEKEND COMING UP.

3. I HAD BRIEFED WAGNER ON WHAT RAMPHAL SAID TO ME AUG 28 REGARDING MAINTENANCE OF PLANT AND EQUIPMENT. SINCE THIS HAS ALSO BEEN SUBJECT OF RUMOR OUTSIDE GOG, WAGNER USED OCCASION TO PROVIDE JACK WITH COMPANY STATISTICS ON ANNUAL EXPENDITURES FOR MAINTENANCE FROM 1971 TO DATE, AS WELL AS COMPARABLE FIGURES FOR VALUE OF INVENTORY OF SPARE PARTS AND SUPPLIES. HE ALSO REMINDED JACK THAT HE HAD (AT MY SUGGESTION) INVITED JACK TO VISIT MINE AND PLANT LAST MAY AT TIME OF JACK'S CHOICE, USING COMPANY PLANE TO ENCOMPASS VISIT WITHIN MINIMUM TIME. HE RENEWED INVITATION.

4. WITH REGARD TO GOG'S PLEDGE "NOT TO DISCRIMINATE AGAINST

ALCAN", AND CONCOMITANT INSISTENCE THAT THIS IMPLIES SAME TERMS OF PAYMENT FOR REYNOLDS TAKEOVER, THIS ALSO CAME UP IN MY CONVERSATION AUG 28 WITH RAMPHAL. HAVING IN MIND HUNT'S (OPIC) DISCUSSIONS IN CANADA (STATE 185139), I SUGGESTED TO RAMPHAL THAT ALCAN EXECUTIVES UNDOUBTLY FULLY APPRECIATE RADICAL CHANGE FROM 1971 TO 1974 IN GENERAL ECONOMIC FINANCIAL CONTEXT AFFECTING INTERNATIONAL TRANSACTIONS SUCH AS THOSE INVOLVED IN ALCAN AND REYNOLDS COMPENSATION ARRANGEMENTS. I HINTED THAT GOG MIGHT FIND ALCGR, IF CONSULTED IN ADVANCE, WOULD NOT OBJECT TO CONCEPT OF "TERMS COMPARABLE TO THOSE OBTAINABLE GENERALLY IN INTERNATIONAL FINANCIAL TRANSACTIONS OF SIMILAR MAGNITUDE AT TIME OF COMPENSATION". RAMPHAL APPEARED TO UNDERSTAND THIS APPROACH BUT SAID HE COULDN'T QUITE SEE HOW GOG MIGHT GO ABOUT PUTTING THE QUESTION TO THE CANADIAN GOVERNMENT OR ALCAN. KREBS

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